

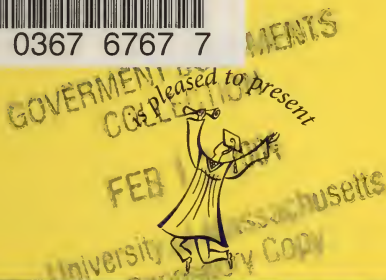
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The Massachusetts Educational
Financing Authority

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A Guide to Borrowing for College

Designed especially
for families with
students attending
undergraduate colleges
and universities

A Program of the Massachusetts Educational Financing Authority

DETERMINING BORROWING NEED

First: Determine your costs

Before making any decision to borrow, it is important to know and understand the total cost of attending college, including tuition and fees, room and board, books, supplies, travel and other expenses.

Next: Estimate available aid

Subtract all scholarships and grant aid from the total cost. For many families, your financial aid package will also include federal student loans. Depending on your family income, these federal loans may include interest subsidies, and are generally the lowest cost form of borrowing. Federal student loans should also be deducted from your cost estimate, leaving the remaining costs to be paid.

Then: Decide how much should be borrowed

In determining how much to borrow, families should carefully consider how much the family can afford to repay, keeping in mind the student's remaining years in college, other children approaching college age, and the family's other borrowing needs. You should consider paying at least some portion of college costs with savings and current income. Many colleges offer monthly payment plans to help manage expenses and reduce borrowing.

Finally: Select the best loan program to meet your needs

For many families, any necessary borrowing may be shared between the student and the parents. When considering student loans beyond the federal loan program limits, students should carefully evaluate their future repayment obligations and should avoid excessive borrowing.

EVALUATING LOAN FEATURES

The following are some of the important factors to consider in evaluating borrowing options:

Interest Rate: Interest is money paid to the lender for the use of borrowed funds. Comparing interest rates is a helpful indicator of the relative cost when comparing two loans.

While most education loans feature variable interest rates, some have interest rates that are fixed for the life of the loan. Interest charged on variable rate loans is subject to change, anywhere from monthly to annually. The interest rate is normally tied to an index such as Prime Rate, US Treasury Bills, Auction Rate Securities, or another rate that may fluctuate over time. In evaluating a variable rate loan, you should understand how frequently your payment may change, and whether there is any cap on how high the interest rate may go.

Loan Fees: In addition to interest, many loans have additional fees that are either added to the loan amount or deducted from the loan proceeds. These may be referred to as Origination Fees or Guarantee Fees.

Annual Percentage Rate (APR): The APR reflects the total cost of borrowing money over the life of the loan, considering not only the interest rate, but also the effect of other fees on the total cost of repaying the amount financed.

Required Monthly Payment: For many families, the amount of the monthly payment is an important factor in choosing a loan. To estimate the monthly payment required to repay each thousand dollars borrowed for a MEFA Loan, please visit the College Loans section of our website at www.mefa.org and try our Loan Payment Calculators.

See inside for detailed information on borrowing options for parents and students.

CREDIT CONSIDERATIONS

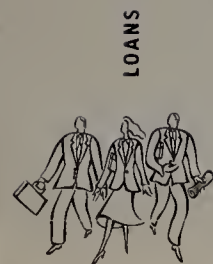
Like other forms of borrowing, most education loans are subject to credit approval. Many lenders use automated credit “scoring” models to determine your creditworthiness. Your credit score is determined by many factors, most notably your record of past credit use. Although credit qualifications and processes vary, two important primary considerations are:

Credit history: A track record of timely repayments on other debts indicates that an applicant is likely to continue to manage future credit obligations well.

Sufficient income to meet payments: Lenders will typically review an applicant’s current income and compare it to his/her monthly debts. After deducting fixed monthly obligations (including rent or mortgage, car loans, education loans, and payments on other consumer loans and credit cards) from after-tax income, there must be sufficient resources to pay everyday living expenses such as food, clothing, utilities, transportation, insurance, etc.

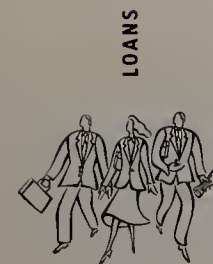
For more information, or if you have any questions, please call the Massachusetts Educational Financing Authority at **1-800-449-MEFA (6332)** or visit our website at **www.mefa.org**.

Undergraduate Education Loan Programs



LOANS

PARENT



LOANS

STUDENT

PROGRAMS

MEFA Loan

- Variable Rate
- Fixed Rate

Administered by the Massachusetts Educational Financing Authority (MEFA). Available to families of students attending Massachusetts colleges and universities

Parent Loan for Undergraduate Students (PLUS)

Federally-insured parent loans obtained from MEFA, banks, other lenders (FFELP), or directly from the college if the college participates in Direct Lending.

WHAT IS THE INTEREST RATE? ARE THERE ANY FEES?

- Borrowers can choose from 2 options:
 - **Variable Rate Option:** Rate for 2003-2004 is 3.55% (APR 4.11%). The interest rate is adjusted annually on April 1 and will not exceed 12%, or
 - **Fixed Rate Option:** Rate for 2003-2004 is 6.25% (APR 6.86%) fixed for the life of the loan.
- For both interest rate options:
 - No application fee.
 - Origination fee of 3.75% is added to the loan amount at disbursement.

- Variable rate is set every July 1. The rate will not exceed 9%. Interest rate is based on the last sale of 91-day Treasury Bills held prior to June 1 plus 3.1%.
- Guarantee and origination fees not to exceed a total of 4%.
- Fees deducted from the loan at disbursement.

WHO IS ELIGIBLE TO APPLY?

- Residents of all states and Canada are eligible to apply.
- Borrower can be a parent, legal guardian, spouse or any creditworthy party except the student. The student co-signs the loan.
- Student must be enrolled at least half-time in a degree-granting program at a participating Massachusetts college or university.
- Applicants must be creditworthy and demonstrate ability to repay.
- No additional financial aid application is required.

- Borrower must be a parent or legal guardian of a dependent undergraduate.
- Applicants must be creditworthy.

WHAT ARE THE MINIMUM/MAXIMUM LOAN AMOUNTS?

- Minimum: \$2,000 (\$1,500 at public colleges and universities)
- Maximum: Up to the cost of attendance minus other financial aid received.

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WHAT ARE THE CONDITIONS OF REPAYMENT?

- Repayments begin within 45 days of loan disbursement.
- Home Equity Option available. With this option, the interest paid on the loan may be fully deductible for federal tax purposes regardless of income.
- Repayment period extends up to 15 years.

- Repayment of principal and interest begins immediately.
- Under limited circumstances (such as unemployment), borrowers may request deferral of principal and interest payments but interest continues to accrue.
- Repayment period extends up to 10 years.

WHO TO CALL FOR INFORMATION AND AN APPLICATION?

- Contact the Massachusetts Educational Financing Authority at 1-800-449-MEFA (6332), or
- Apply online at www.mefa.org, or
- Apply at the financial aid office of a participating college or university.

- Apply through your lender or call American Student Assistance (ASA) at 1-800-999-9080.
- File the loan application several weeks before funds are needed.

Stofford Loan

Federal Family Education Loan Program (FFELP), or Federal Direct Loan

- Subsidized
- Unsubsidized

Federally-insured parent loans obtained from MEFA, banks, other lenders (FFELP), or directly from the college if the college participates in Direct Lending.

- Variable rate is set every July 1. The rate will not exceed 8.25%. Interest rate is based on the last sale of 91-day Treasury Bills held prior to June 1 plus:
 - 1.7% while the student is enrolled, in grace, or deferment periods and
 - 2.3% while in repayment.
- Guarantee and origination fees not to exceed a total of 4%.
- Fees are deducted from loan proceeds at disbursement.

- Student borrowers must be enrolled at least half-time at an approved institution.
- Family must complete the Free Application for Federal Student Aid (FAFSA) in order to apply.
- Applicants must demonstrate financial need for a subsidized loan.
- Applicants do not need to demonstrate financial need for an unsubsidized loan, but must complete the FAFSA in order to apply.

- Maximum:
 - \$2,625 Freshman
 - \$3,500 Sophomores
 - \$5,500 Juniors and Seniors
- Independent students, or students whose parents have been denied the PLUS Loan, may be eligible for additional unsubsidized amounts:
 - Up to \$4,000 Freshmen and Sophomores
 - Up to \$5,000 Juniors and Seniors

- Repayment begins six months after the student graduates, withdraws or stops attending school at least half-time. Under limited circumstances (such as unemployment or continuing post-secondary education), borrowers may request deferral of principal and interest payments.
 - Subsidized: Principal is deferred and interest subsidized by the government, while enrolled at least half-time and during other authorized deferment periods.
 - Unsubsidized: Principal is deferred and interest payments may be deferred while the student is enrolled at least half-time or during other authorized deferment periods. The borrower is responsible for all interest that accrues.

- File the Free Application for Federal Student Aid (FAFSA).
- File the loan application several weeks before funds are needed.
- Contact your financial aid office for additional application requirements and deadlines.

Federal Perkins Loan

Awarded by colleges, subject to federal funding and limitations.

- Fixed interest rate of 5%. Interest rate is set by the U.S. Department of Education.
- No application fees.
- Funding limited by U.S. congressional appropriation.

- Student borrowers must be enrolled at least half-time at an approved institution.
- Family must complete financial aid applications (federal and possibly institutional) in order to apply.
- For students with exceptional financial need.

- Maximum: Up to \$4,000 for each undergraduate study, not to exceed \$20,000 for undergraduate program.
- Amount will be based on financial need and determined by financial aid office.

- Repayment begins nine months after the student graduates, withdraws or stops attending school at least half-time.
- Repayment period extends up to 10 years.

- File the Free Application for Federal Student Aid (FAFSA).
- Contact your financial aid office for additional application materials and deadlines.

Massachusetts No Interest Loan

Administered by the Massachusetts Office of Student Financial Assistance

- No interest charge.
- No application or guarantee fees.
- Funding is limited and is determined by Commonwealth of Massachusetts legislative appropriation.

- Student borrowers with demonstrated financial need must be enrolled full-time at a participating Massachusetts school.
- Student must be a permanent Massachusetts resident for at least one year.

- Minimum: \$1,000
- Maximum: \$4,000
- Loan amount determined by financial need.

- Repayment begins six months after the student graduates, withdraws or stops attending school at least half-time.
- Minimum \$50 monthly payment.
- Repayment period extends up to 10 years.

- File the Free Application for Federal Student Aid (FAFSA) by March 15, 2004.
- Contact the Massachusetts Office of Student Financial Assistance at (617) 727-9420 or visit www.osfa.mass.edu.
- Contact your financial aid office for additional application requirements and deadlines.



INTRODUCTION

According to research done by the College Board, over half of all families borrow to cover at least some of the costs of their children's post-secondary education. Studies also show that a college education has tremendous value, both in significantly increasing lifetime earning potential, and in providing other opportunities for an enhanced quality of life.

Planning to meet college costs is an investment in the future. Families and students have many choices in financing this investment, including federal and school-based financial aid programs, outside grants and scholarships, part-time work and education loans. This guide is to help families make an educated choice about borrowing to pay for higher education costs. It contains information on types of loans available to students and parents, including qualifications and repayment terms. It also provides helpful advice on determining your borrowing needs and comparing loan features. This brochure also contains a chart detailing several student and parent borrowing options.

For more information, or if you have any questions, please call the Massachusetts Educational Financing Authority at **1-800-449-MEFA (6332)** or visit our web site at **www.mefa.org**.

ADDITIONAL INFORMATION

For help with the intricacies of educational loan programs, contact:

Massachusetts Educational Financing Authority

125 Summer Street

Boston, MA 02110

1-800-449-MEFA(6332)

www.mefa.org

For information on higher education, financial aid and careers, contact:

The Higher Education Information Center

Located at the Boston Public Library

700 Boylston Street

Boston, MA 02116

1-877-ED-AID-4U (within MA)

617-536-0200 (outside MA)

www.edinfo.org

